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ANNUAL REPORT

JUN 10 1969

**1968  
ANNUAL  
REPORT**

**PEOPLES MORTGAGE COMPANY**

*A wholly owned subsidiary of* **PEOPLES NATIONAL BANK**

# PEOPLES MORTGAGE COMPANY

## OFFICERS AND DIRECTORS

JOSHUA GREEN, JR., Chairman of the Board and Director

HAROLD A. ROGERS, President and Director

ROBERT G. PERRY, Secretary-Treasurer and Director

E. C. UNDERHILL, Senior Vice President and Director

JOSHUA GREEN III, Vice President and Director

JAMES G. CAIRNS, JR., Vice President and Manager

KEITH R. GREEN, Vice President

RICHARD J. McKOWN, Vice President

DEAN M. OLSON, Vice President

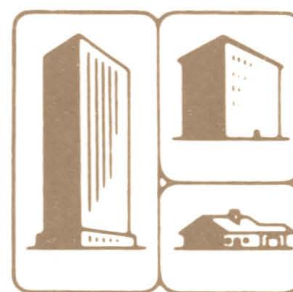
ROBERT R. FARQUHAR, Assistant Vice President

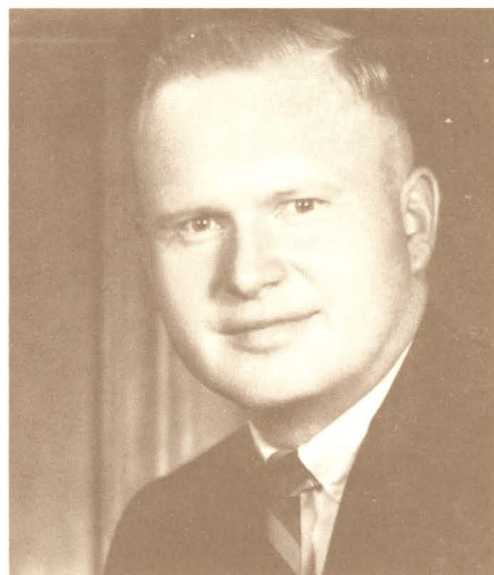
PHILLIP A. LOFURNO, Assistant Vice President

WILLIAM H. NYBERG, Assistant Vice President

RICHARD A. WALKER, Assistant Vice President

ZELLA G. CHRISTOPHER, Assistant Treasurer





JAMES G. CAIRNS, JR.,  
Vice President and Manager

**DEAR STOCKHOLDERS:**

This company was formed February 11, 1967 and on March 7, 1968 became the successor to Burwell and Morford, a leading Pacific Northwest lender in the mortgage banking field since 1898.

We are continuing to service the investor accounts of Burwell and Morford. To this volume we have added the \$72 million portfolio of Peoples National Bank as well as several institutional accounts so that at year-end we were servicing a mortgage loan portfolio in excess of \$144 million. Included were conventional, V.A., F.H.A. and M.G.I.C.-insured residential loans, and an ever increasing number and variety of commercial loans.

During the year more than 1,385 loans were processed, amounting to over \$35 million. Of these, slightly over \$8 million were commercial loans on such varied properties as a nursing home, a motel, medical clinic, radio station, office building, warehouse, auto freight terminal, restaurant and several apartments.

Land development loans resulted in over 600 F.H.A. aproved building sites. Loans were made for the construction of approximately 450 houses, which represented a major percentage of our single-family residential production for the year 1968.

During this ten month period the company realized a net operating profit, before payment of taxes and management fee to our parent corporation, of \$111,555.01.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "J.G. Cairns".

VICE PRESIDENT AND MANAGER

THE BOARD OF DIRECTORS  
PEOPLES MORTGAGE COMPANY

We have examined the balance sheet of Peoples Mortgage Company as of December 31, 1968 and the related statement of income and retained earnings for the period March 7 to December 31, 1968. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements examined by us present fairly the financial position of Peoples Mortgage Company at December 31, 1968 and the results of its operations for the period March 7 to December 31, 1968, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 10, 1969  
Seattle, Washington

*Price Waterhouse & Co*

PEOPLES MORTGAGE COMPANY (Formerly Northwest Capital Corporation)  
STATEMENT OF INCOME AND RETAINED EARNINGS / March 7 to December 31, 1968

|   |            |
|---|------------|
| INCOME:   |            |
| Commissions and fees from mortgage loan origination and servicing—Note 4                    | \$ 736,837 |
| Interest on notes and mortgage loans  | 27,035     |
| Other   | 62,169     |
| TOTAL INCOME  | 826,041    |
| EXPENSES:   |            |
| Salaries, bonuses and employee benefits   | 391,531    |
| Interest—Note 4   | 22,197     |
| Depreciation  | 13,923     |
| Management fee to Peoples National Bank   | 23,029     |
| Other operating expenses including amortization of mortgage service acquisition cost—Note 1 | 286,834    |
|   | 737,514    |
| Income from operations before provision for federal income taxes                            | 88,527     |
| Federal income taxes  | 40,000     |
| Net income  | 48,527     |
| Retained earnings, March 7, 1968—Note 1   | 74         |
|   | 48,601     |
| Dividends paid, \$3.75 per share  | 30,000     |
| Retained earnings, December 31, 1968  | \$ 18,601  |
| Net income per share of common stock outstanding  | \$ 6.09    |
| See accompanying notes to financial statements  |            |

PEOPLES MORTGAGE COMPANY (Formerly Northwest Capital Corporation)  
BALANCE SHEET / December 31, 1968

|   |             |
|---|-------------|
| ASSETS  |             |
| CURRENT ASSETS:   |             |
| Cash on hand and in banks   | \$ 307,807  |
| Cash in savings and loan associations—Note 2  | 13,247      |
| First mortgage loans in process (net of undisbursed commitments of \$5,316,467) or held for resale (net of \$253,465 discount)—Note 3 | \$9,309,833 |
| Accrued interest receivable   | 82,407      |
| Less:   | 9,392,240   |
| Participations sold to Peoples National Bank—Note 4   | 9,148,281   |
| Reserve for possible collection loss  | 10,000      |
| Real estate held for resale—Note 3  | 38,792      |
| Notes and accounts receivable   | 36,289      |
| Prepaid expenses and deposits—Note 5  | 91,842      |
|   | 721,936     |
| TRUST FUNDS:  |             |
| Cash in bank  | 1,798,166   |
| Less—Contra liability   | (1,798,166) |
| FIXED ASSETS, at cost, net of accumulated depreciation of \$16,292  | 158,219     |
| OTHER ASSETS:—Note 1  | 517,160     |
|   | \$1,397,315 |

See accompanying notes to financial statements

|                                       |             |
|---------------------------------------|-------------|
| LIABILITIES                           |             |
| CURRENT LIABILITIES:                  |             |
| Notes payable to bank—Note 4          | \$ 450,000  |
| Accrued interest payable              | 7,827       |
| Accounts payable and accrued expenses | 39,594      |
| Commitment fees received—Note 5       | 41,730      |
| Federal income taxes                  | 39,563      |
|                                       | 578,714     |
| STOCKHOLDERS' EQUITY—Note 1:          |             |
| Common stock, \$100 par value—        |             |
| 15,000 shares authorized:             |             |
| 8,000 shares issued                   | \$ 800,000  |
| Retained earnings                     | 18,601      |
|                                       | 818,601     |
| COMMITMENTS—Note 6                    |             |
|                                       | —           |
|                                       | \$1,397,315 |



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1—CORPORATE OWNERSHIP AND OPERATIONS:

Peoples Mortgage Company, formerly Northwest Capital Corporation, is a wholly owned subsidiary of Peoples National Bank of Washington. Incorporated February 11, 1967, its operations to March 6, 1968 consisted principally of rental of certain facilities to its parent bank.

Under the terms of an agreement dated January 30, 1968, the company acquired all of the outstanding shares of Burwell and Morford, a nonaffiliated mortgage company. The purchase was effected March 7, 1968 and the acquired company was simultaneously liquidated and its assets and operations, subject to its liabilities, transferred to Peoples Mortgage Company. The net assets have been recorded at actual cost which includes an amount paid for the right to service loans owned by various investors. This latter cost is being amortized over the expected average life of the acquired portfolio and has been included in the accompanying Balance Sheet, under the caption Other Assets, at its unamortized balance of \$499,468 at December 31, 1968.

### NOTE 2—CASH IN SAVINGS AND LOAN ASSOCIATIONS:

The company has sold various loans and notes to savings and loan associations which are secured to the extent of pledged savings accounts on deposit with the associations. It has reserved the right to repurchase the notes or contracts in the event of delinquency. The balances of the notes and contracts and the related pledged accounts as of December 31, 1968 are respectively \$101,089 and \$13,247.

### NOTE 3—FORECLOSURE PROCEEDINGS AND PROPERTIES HELD FOR RESALE:

At December 31, 1968, foreclosure proceedings had been initiated to seek judgment for six mortgage loans totaling \$92,148. Additionally, three loans aggregating \$38,792 had been foreclosed and the properties held under sheriff's certificate, subject to redemption, or with clear title. No losses in excess of the reserve maintained (\$10,000) are anticipated upon disposition.

### NOTE 4—PARTICIPATION AGREEMENT AND NOTES PAYABLE TO BANK:

The company is party to an agreement with Peoples National Bank of Washington whereby it has agreed to sell by participation, as it requires funds, its interest in loans in process. The Bank has discretionary power with respect to loans offered for participation but once accepted its recourse is limited to its pro rata interest in the acquired loan. The mortgage company continues to manages these loans and receives a fee for this service.

The company has also borrowed from the Bank under the terms of various notes. Those outstanding at December 31, 1968 were as follows:

| Date of note      | Interest rate | Term     | Amount    |
|-------------------|---------------|----------|-----------|
| September 3, 1968 | 6%            | 181 days | \$400,000 |
| April 18, 1968    | 6%            | Demand   | 50,000    |

### NOTE 5—COMMITMENT FEES PAID OR RECEIVED:

The company has committed itself to deliver various amounts of loans to investors within a specified time period. It has advanced performance fees which are recovered pro rata upon delivery of these loans. At December 31, 1968 \$88,159 had not yet been realized and is subject to forfeiture, in the event the required loans are not delivered.

The company has extracted similar fees from various contractors to insure itself of a continuing supply of loans. No significant amount of gain or loss is expected from either of these sources as a result of inability to perform.

### NOTE 6—LEASE AND CONTRACT COMMITMENTS:

The company is party to various leases for office facilities, the major one of which requires monthly rentals of \$2,400, annual property taxes and insurance through April, 1985. It is also committed through December, 1971, to the rental of computer service. Rentals under this contract are based upon the number of accounts serviced.

**INVESTORS REPRESENTED BY PEOPLES MORTGAGE COMPANY**

Bankers Life Company

Buffalo Savings Bank

Carpenters Trust of Western Washington

Country Life Insurance Company

The Dunellen Savings and Loan Association

Emigrant Savings Bank

Federal National Mortgage Association

Government National Mortgage Association

The Great-West Life Assurance Company

Institutional Securities Corporation

Investors Diversified Services, Inc.

Kansas City Life Insurance Company

The Minnesota Mutual Life Insurance Company

National Life Insurance Company of Vermont

Peoples National Bank of Washington

Provident Mutual Life Insurance Company of Philadelphia

Rochester Savings Bank

Schenectady Savings Bank

State Farm Life Insurance Company

United Benefit Life Insurance Company

**THROUGH PARENT CORPORATION**

Arlington Heights Federal Savings and Loan Association

Portland Federal Savings and Loan Association

Provident Life Insurance Company of Bismarck

Safeco Life Insurance Company

Washington State Teachers' Retirement System

Wells Fargo Bank

